

VZCZCXRO3856
RR RUEHCD RUEHGD RUEHHO RUEHMC RUEHNG RUEHNL RUEHRD RUEHRS RUEHTM
DE RUEHME #2154/01 1151112
ZNR UUUUU ZZH
R 251112Z APR 06
FM AMEMBASSY MEXICO
TO RUEHXC/ALL US CONSULATES IN MEXICO COLLECTIVE
RUEHC/SECSTATE WASHDC 0473
INFO RUEATRS/DEPT OF TREASURY WASHDC
RUCPDOG/DEPT OF COMMERCE WASHDC

UNCLAS SECTION 01 OF 02 MEXICO 002154

SIPDIS

SENSITIVE
SIPDIS

STATE FOR WHA/MEX, WHA/EPSC, EB/IFD, AND EB/EPPD
STATE PASS USAID FOR LAC: MARK CARRATO
TREASURY FOR IA MEXICO DESK: JASPER HOEK
COMMERCE FOR ITA/MAC/NAFTA: ANDREW RUDMAN

E.O. 12958: N/A
TAGS: [ECIN](#) [ECON](#) [EFIN](#) [MX](#) [SMIG](#)
SUBJECT: MIGRATION AND REMITTANCES PART IV: CROSS BORDER
INVESTMENT

REF: A. REF A: MEXICO 2042

[1](#)B. REF B: MEXICO 2097
[1](#)C. REF C: MEXICO 2123

Sensitive but unclassified, entire text.

This is the fourth in a series of four cables examining the effect of U.S. migration and remittances on the economy of rural Mexico.

[1](#)1. (SBU) Summary. According to Mexican authorities, the number of people immigrating illegally to the U.S. in the first three months of 2006 grew to 275,792, an increase of 20 percent compared to the same time period in 2005. Many of these migrants have traditionally lacked financial and investment services, although there are a growing number of cross-border programs which seek to capitalize on the growing purchasing power of this demographic group. Without leaving the U.S., migrants now construct houses in Mexico, save for retirement, and even finance small businesses. Most importantly, through these new investment opportunities in the U.S., migrants may have new prospects of a better life while creating economic development at home in Mexico. End summary.

MIGRANT CONNECTION TO HOMELAND STILL STRONG

[1](#)2. (SBU) Most migrants retain strong ties to their communities of origin; according to a Pew Hispanic Center survey, the vast majority of immigrants (71 percent) claim they eventually intend to return. Alejandra Contreras, the director of remittance services for the state of Michoacan, agreed that the public expectation is that most migrants will return. (Although in practice many migrant families remain in the U.S. indefinitely.) Leonardo Hernandez, the mayor of Cojumatlan, a rural community on the shores of Lake Chapala in Michoacan, explained to Econoff April 6 his viewpoint that migrants leave for two reasons - to support their families, but also to save for a comfortable retirement in Mexico.

[1](#)3. (SBU) As migrants' disposable income has grown, so has their demand for investment opportunities. Ricardo Mejia, a project manager for Construmex, Mexico's largest construction company, told Econoff that "migrants no longer just want to survive. They intend to come back to Mexico and find a reward for their hard work." Building a quality home appears to be a top priority for migrants - Mejia shared a Construmex survey that found that while 56 percent of immigrants intend

to build a house within five years, only 18 percent are actually doing so.

HAZLA PAISANO!

¶4. (SBU) Satisfying that need for home construction is the aim of Construmex. In 2003, a subsidiary of the cement giant Cemex inaugurated their "Hazla Paisano!" (Just Do It, Countryman!) program marketed to migrants throughout the U.S.

The program has been a success - Construmex now has offices located in 13 American cities with large Mexican populations, and they intend to open 17 additional branches within five years. According to Mejia, Construmex has grown its customer base from 7,000 in 2004 to 18,000 in March 2006, with a goal of 25,000 by the end of the year. Potential clients have the option of visiting a branch office or ordering by telephone, during which time they consult with an architect. After finalizing their order, cement and other supplies are delivered by a local distributor to a construction team of the client's choice. Mejia described some of the advantages of Construmex's program - low fees (USD 5 per project), fair exchange rate (tied to Bank of Mexico's official rate), and personal customer service. Payment plans are flexible, with materials delivered as payments are made. Customers even have the option of applying for credit, offered at an interest rate of 9.9 percent, compared with rates of 20 percent or higher for much consumer credit. Construmex spends very little on marketing, nearly all advertising is via word-of-mouth.

¶5. (SBU) Migrant home construction can also provide a significant boost to the local economy and employment. In Pacambaro, a small community on the highway to Lazaro Cardenas in the state of Michoacan, there were seven new

MEXICO 00002154 002 OF 002

Hazla Paisano construction sites, many standing in stark contrast to the dilapidated shacks nearby. Alberto Ruiz, manager of the Construmex distributor in Pacambaro, told Econoff that branch revenue had increased by 52 percent since 2003, primarily due to the Hazla Paisano program. Jose Lopez, an immigrant currently living in San Jose, California, is expanding the size of his house near Morelia, the capital of Michoacan, from 449 to 2254 square feet. According to Lopez's wife, this construction will enable him to return to Mexico, open an auto body shop, and hire three employees. Lopez is also providing employment for several family members who are building the home for him while he is in the U.S.

YOUR LITTLE PIECE OF MEXICO

¶6. (SBU) The banking sector is also aggressively marketing to migrants. "Your Little Piece of Mexico", a program offered by Su Casita Hipotecaria, a leading Mexican mortgage lender, allows migrants to qualify for a mortgage on a Mexican home while working in the U.S. Manuel Spoor, Vice-President of Su Casita, told Econoff March 23 that cross-border sales had risen by 32 percent in less than a year, and by 2010 he expects 10 percent of all mortgages provided by his company to have originated north of the border. Contreras described a joint program between the government of Michoacan and Hipotecaria Nacional, Mexico's largest mortgage lender, to provide low-cost mortgages to migrants. The trans-border banking boom will probably not remain confined to mortgages. HSBC Director of International Products Juan Lavalle described for Econoff March 15 a variety of potential products marketed to migrants, including auto and business loans.

A CHRISTMAS CELEBRATION

¶7. (SBU) Breaking new ground for the public sector, the state governments of Michoacan, Jalisco, and Guanajuato began a

pilot program in March 2006, allowing 200 migrants to invest in a pine tree planting program. Under the guidelines of the project, migrants provide 60 percent of the initial outlay of approximately 9 million dollars (with the federal and state governments covering the rest), funding the planting of 7,000 pine trees on 5 hectares of public land. The plan is expected to provide long-term retirement income for the migrants, who will be paid their return in annual installments as the pines are gradually sold as Christmas trees. Carlos Garcia, director of the Office of Migrant Services for the state of Michoacan, explained to Econoff that the program was conceived as a means of funneling remittances into more productive enterprises that should generate long-term economic development.

COMMENT

18. (SBU) The number of cross border investment programs should continue to increase in the near term, offering migrants growing opportunity to save and invest at home. The accessibility of these programs is critical, for several reasons. Remittances are Mexico's second largest income source, with its rapid rate of growth not likely to slow in the near future. Moreover, programs that channel migrant income to productive ends, such as the Three-for-One program (Ref C), and Hazla Paisano, appear to offer greater potential for long-term economic development than ordinary remittance transfers. Introducing and protecting policies which encourage the exploitation of this income for sustained economic development will likely be one of the incoming administration's greatest challenges and opportunities.

Visit Mexico City's Classified Web Site at
<http://www.state.sgov.gov/p/wha/mexicocity>

GARZA